7 DEC 2023 Jennifer Grybowski

Which funds are poised to hit a three-year birthday?

AAM and ProShares chase Fido, JPMAM, Avantis

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Big names like Fidelity, JPMorgan AM and Avantis have gained appreciable flows traction within the first two years of the launch of their new ETFs or mutual funds, but other firms including AAM and ProShares were able to nab considerable assets as well.

Fidelity has seen the most success with a trio of indexed fixed income mutual funds, two of which have brought home more than $1bn each just over the past year.

JPMorgan far outpaced its fixed income ETF rivals with the $793m JPMorgan Income ETF (JPIE) pulling in $593m, however T. Rowe showed up with three new FI ETFs amassing just over $200m.

Avantis and JPMorgan AM took in the bulk of the ETF flows with a pair of US equity funds, while the self-seeded NUGO, which holds the highest AUM by far, continues to see outflows.

Avantis is the only firm to bring in more than $100m in its new international equity strategies, the $320m Avantis Emerging Markets Value ETF (AVES) pulling in $133m over the past year and the $276m Avantis International Large Cap Value ETF (AVIV) pulling in $140m.

It is also the only firm to make an appreciable showing in sector equities, with the $340m Avantis Real Estate ETF (AVRE) seeing inflows of $184m over the past year. No other firm broke $25m.

JPMAM, Avantis and T. Rowe Price are the top three firms poised to further capitalize within active ETFs, said Nate Geraci, president and chairman of The ETF Store.

“A key factor in the success of these products is that all three issuers came to play on fees,” he said, noting the average fee for active ETFs from these firms is 26bps.

"For better or worse, many allocators are putting expense ratios at the top of the due diligence checklist and active ETF issuers have recognized they need to aggressively compete on fees if they want a shot at occupying the core of a portfolio."

Despite a rise in investor demand for alternative funds, new funds in this category have struggled to gain traction, together bringing in just $203m over the past year mostly thanks to the $183m logged by the $1.4bn ProShares Bitcoin Strategy ETF (BITO), disappointing numbers after an impressive rollout in October 2021.

Out of the 183 existing mutual funds and ETFs launched since August 2021, a whopping 79 saw flat flows, under $10m in or out, over the past year as they struggle to gain ground, and 46 had disappeared by the end of this October, with other young funds set to close from big names such as JPMAM, Janus Henderson and Harbor.

Nearly half of the funds already closed were ETFs, the bulk of which were actively managed.

Several firms, such as NXG Investment Management, Emerge, NightShares and others, chose to leave the mutual fund or ETF business altogether.

ESG funds struggle

A total of 46 funds that qualify as "sustainable investment overall" by Morningstar were launched in this time period.

Five of them have closed since then, all in 2023. Many more closures are in the works, including a duo from JPMAM, an ESG EM equity fund from VanEck, a sustainable duo from BlackRock and more.

Together, the surviving funds have only brought in $35m over the past year, many seeing flat flows.

The $478m KraneShares California Carbon Allowance ETF (KCCA), the largest fund in AuM, has also seen the largest outflows, of $44m over the past year.

A pair of Janus funds, the $7m Janus Henderson International Sustainable Equity ETF (SXUS) and the $8m Janus Henderson US Sustainable Equity ETF (SSPX) each witnessed devastating outflows of $15m.

The $40m FlexShares ESG & Climate Developed Markets ex-US Core Index Fund (FEDM) brought in the most, doubling its AUM with $20m in inflows.

Cannabis funds also struggled, with nearly a half-dozen opening and closing in less than two years.